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# Pennant

A stylized pennant graphic composed of overlapping triangles in shades of blue and teal, with an orange outline, positioned behind the letter 'n' in the word 'Pennant'.

**Company Briefing**  
May 22

## Overview of year

- Improved trading performance, second half recovery, return to EBITA profit in H2
- Revenue increased in both divisions
- Annualised cost savings realised, £0.9m reduction in staff costs, further restructuring costs incurred (£0.1m)
- Challenges on MTE programme continued, minimal impact anticipated on 2022
- Strong underlying performance – 41% gross margin (versus reported 27% GM)
- Positive trading momentum has continued in current year
- Excellent start to order intake in 2022, secured £12m of contract wins during Q1
- Three-year contracted order book now stands at £32m with circa £13m secured for 2022 and £13m for 2023
- Property rationalisation - accepted offer, subject to contract, in excess of book value for the property

## Headlines - 31<sup>st</sup> December 2021



**Group revenues for the period of £16.0 million (2020: £15.1 million)**



**Gross profit margin of 27% (2020: 29%)**



**Loss before tax of £2.5 million (2020: loss before tax of £3.1 million)**



**EBITA loss of £0.8 million (2020: EBITA loss of £1.6 million)**



**Basic loss per share of 4.41p (2020: loss of 7.22p)**



**Group net assets at year-end of £11.1 million (2020: £12.5 million)**

### Other highlights:

- **Net debt at year-end of £3.5 million (2020: net debt of £1.4 million);**
- **No final dividend recommended (2019: £NIL);**
- **Three-year order book at year-end stood at £22 million (2020: £31 million).**

# Consolidated Income Statement

£m	31 Dec 2019 (Audited)	31 Dec 2020 (Audited)	31 Dec 2021 (Audited)
Revenue	20.43	15.06	<b>15.97</b>
Gross profit	7.35	4.38	4.36
Administrative expenses	(7.23)	(6.02)	(5.14)
<b>EBITA / PBITA</b>	<b>0.12</b>	<b>(1.64)</b>	<b>(0.78)</b>
Amortisation	(1.64)	(1.37)	(1.37)
Operating (Loss)	(1.52)	(3.01)	(2.15)
Net finance costs	(0.11)	(0.13)	(0.32)
Tax	0.13	0.51	0.87
<b>(Loss) for the period</b>	<b>(1.49)</b>	<b>(2.63)</b>	<b>(1.61)</b>

- Revenue in line with market expectations
- 2021 income statement reflects benefit of £0.9m reduction in staff costs

## Excluding MTE programme impact

£m	Excl MTE	MTE	2021
<b>Revenue</b>	14.2	1.8	<b>16.0</b>
Cost of sales	(8.4)	(3.2)	<b>(11.6)</b>
<b>Gross Margin</b>	<b>5.8</b>	<b>(1.4)</b>	<b>4.4</b>
Gross Margin (%)	41%	(78%)	<b>27%</b>
Admin costs (net of Other Income - £0.2m)*	(6.5)	-	<b>(6.5)</b>
Operating Margin	(0.7)	(1.4)	<b>(2.2)</b>
<b>EBITA</b>	<b>0.6</b>	<b>(1.4)</b>	<b>(0.8)</b>

- (\*) Admin costs associated with the delivery of the MTE programme are excluded from the above analysis
- The MTE programme is due to complete during H1 2022

# Consolidated Balance Sheet

£m	31 Dec 2019 (Audited)	31 Dec 2020 (Audited)	31 Dec 2021 (Audited)
Non-current assets	11.6	14.8	15.0
Current assets	11.3	7.9	6.6
Current liabilities	(6.9)	(7.8)	(9.0)
Non-current liabilities	(1.2)	(2.5)	(1.4)
Shareholders funds	<b>14.9</b>	<b>12.5</b>	<b>11.1</b>

- Property portfolio revalued upwards at year end – post period end disposal of property
- Current assets include trade and other receivables of £4.5m – expected to unwind in H1 2022
- Current liabilities include bank overdraft of £4.4m
- Non-current liabilities include the contingent consideration of the acquisition of ADG £0.8 (2020: £1.4m)

# Consolidated Cash Flow

£m	31 Dec 2020 (Audited)	31 Dec 2021 (Audited)
Net cash from operations	3.15	(0.13)
Investing activities	(2.19)	(1.62)
Financing activities	(0.24)	(0.25)
Net increase / (decrease) in cash and cash equivalents	0.72	(2.00)
Cash and cash equivalents brought forward	(2.24)	(1.45)
Impact of foreign exchange	0.07	(0.09)
Cash and cash equivalents at end of year	(1.45)	(3.54)

- Net cash from operations reflects the stage of completion on major programmes with contract milestones to be achieved in 2022 ahead of invoicing and cash payments being received.



# Net cash generated from operations

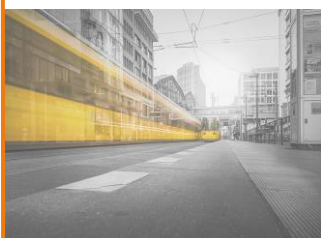
Cash generated from operations (£m)	31 Dec 2020 (Audited)	31 Dec 2021 (Audited)
(Loss) for the year	(2.63)	(1.61)
Depreciation	0.72	0.70
Amortisation	1.36	1.37
Share based payments	0.08	0.03
Other – finance, tax, profit on disposal	(0.69)	(0.78)
Operating cash flow before working capital	(1.16)	(0.29)
Working capital movement	3.77	0.05
Cash generated (used in) / from operations	2.61	(0.24)
Tax (paid) / received	0.57	0.44
Interest paid	(0.04)	(0.33)
Net cash (used in) / generated from operations	3.15	(0.13)

## Strategic Directives:

- **Innovation** - continuously review & enhance the Group's product range
- **Customer Focus** - to grow and improve our service offering
- **Diversification (Grow Civil)** - accelerate the Group's presence in civilian training and regulated engineering markets
- **Corporate Development** - expand the Group's business in innovative ways

## Our Strategy in action:

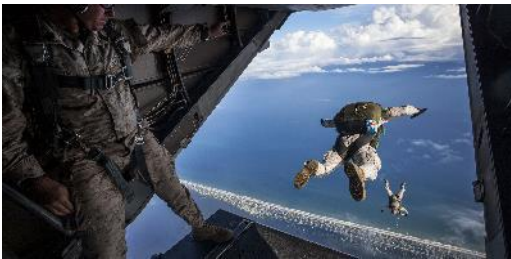
- Integration and acceleration of R4i software suite into Pennant's core offering
- Completion of the Engine Systems Start Trainer (ESST) – modular software training solution
- Development of Signal Sighting software system for Network Rail
- Pennant Customer Care Portal launched
- New GenS software released
- Loadmaster virtual software training System developed for US market



## Three year contracted order book - aggregate £32m

Contract (£m)	Scheduled for delivery			
	2022 H1	2022 H2	2023	2024
Engineered - General Dynamics – armoured vehicle trainer	0.7	-	-	-
Engineered - UK OEM – helicopter maintenance trainer	0.5	0.5	-	-
Technical Services - BAE Australia 5 year rolling term / 20 year framework – secured until 2025	0.8	0.8	1.6	1.6
Software development & services – HMRC rolling annual supply arrangement, commenced 2009	0.4	0.4	0.8	0.8
Technical services – Track Access and Wildcat support	0.3	0.3	0.4	0.4
Software services - Ottawa DND, 5 year contract award to Dec 2023	2.0	2.0	4.0	-
Software services - S1000D	0.4	-	-	-
Software maintenance	0.6	0.6	1.4	1.4
Engineered - UK OEM – helicopter maintenance trainer	0.3	1.5	4.5	2.5
Software & services – NA commercial aerospace	0.2	0.5	0.2	0.2
<b>TOTAL</b>	<b>6.2</b>	<b>6.6</b>	<b>12.9</b>	<b>6.9</b>

## Selected Group Opportunities – active pipeline > £60m:



### Single Source / Formally notified

- Services (Aus) – long term programme supporting ILS partner with Technical Publications (5-10 years)
- Courseware development (Aus) – OEM, long term project to develop training material to support programme (5-10 years)

### 2022/2023

- Middle East – existing customer, additional rotary capability
- Australia – existing customer, adding rotary training school
- UK MOD – upgrade programme to existing platform

### 2024 & beyond

- Middle East – provision of suite of generic training aids to a new technical training facility

*There is no certainty as to timing, value or success of the pipeline opportunities.*

## What are we looking to achieve?

- Return to EBITA profit in 2022
- Effective, efficient global delivery, organised into three key regions (UK & EU, NA and Aus)
- ‘Full spectrum’ of Pennant products and services offered and delivered in all three key regions
- Complementary / Strategic acquisitions – focus on software and services
- Successful launch and cementing of GenS software solution as Omega PS successor
- Development of next generation of training aids – modular, software / technology led



## **Our Vision:**

**To be the leading provider of world-class integrated training technologies and product support for the defence, aerospace, rail and other safety critical industries.**

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**Pennant International Group was established over 60 years ago.**

**The company has evolved over the past six decades to become a market-leading, technology-led business with a truly global customer base.**

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Our capabilities encompass the conversion of full-size aircraft into training tools, immersive virtual reality experiences, small devices to improve hand skills, interactive 3D courseware and LPD and S1000D software tools to create, manage and publish vast amounts of technical data.

Pennant is listed on the AIM Stock Market, working to a set of core values, defining the way we act as individuals and as a business.

We focus on Innovation, Performance, Quality, Respect and Teamwork.



## Share Capital

Total shares in issue	36,709,311
AIM securities held in treasury	NIL
Percentage of AIM securities not held in public hands	42.59%

## Significant Shareholders

Stakeholder	Percentage holding
Mr Christopher Powell	17.10%
Premier Miton Group	14.35%
BGF Investment Management Limited	11.14%
Pana Capital	8.23%
Killik & Co LLP	4.90%
Canaccord Genuity Group	4.58%

## Board of Directors

<b>John Ponsonby</b> Chairman	<b>Philip Walker</b> CEO	<b>Philip Cotton</b> NED	<b>David Clements</b> Commercial Director
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**60,000 SQ.FT** IN UK FACILITIES

**200+** EMPLOYEES



**HEAD OFFICE**  
Pennant Court  
Staverton Technology Park,  
Cheltenham, UK



**STAFF AND FACILITIES ACROSS THE UK, USA, CANADA & AUSTRALIA**



# Pennant End-to-end Eco System Model

## Technical Training Solutions

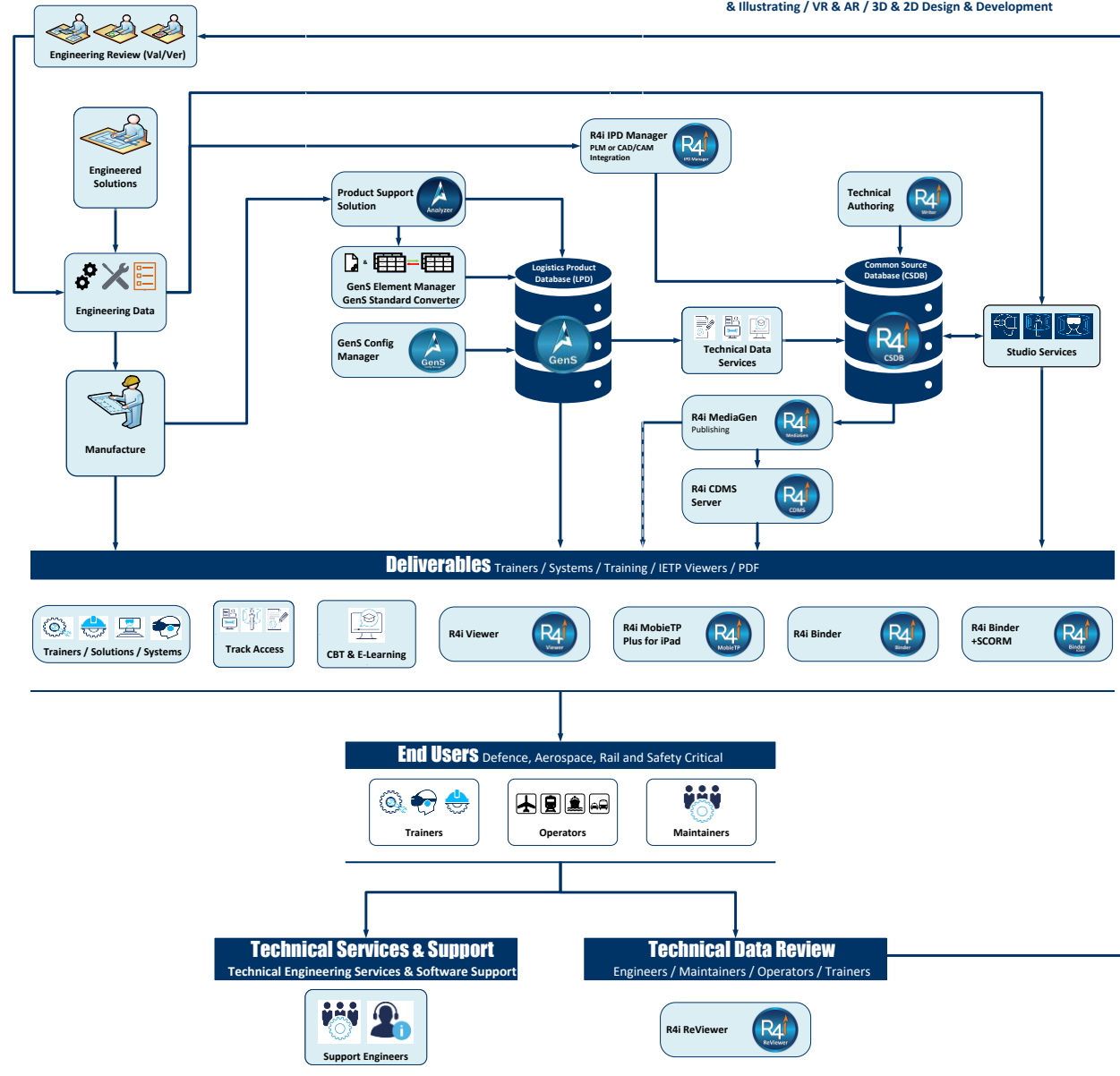
Translating & Developing Training Requirement / Hardware and Software solutions

## IPS/ILS SERVICES

LSAR Software / Logistics Product Data / Supportability

## Technical Publications & Studio Services

S1000D Software, Services & Consulting / Technical Authoring & Illustrating / VR & AR / 3D & 2D Design & Development



## Analyzer

- Fast, accurate and user-friendly optimisation tool
- Identifies preferred product sustainment strategies through options analysis
- Supports operational readiness at an affordable life cycle cost



## GenS

- Manages Logistics Support Analysis data
- Maintain detailed configuration of complex assets
- Interfaces with ERP Systems
- Compatible with S1000D publishing standard



## R4i Product Suite

- Supports S1000D 1.x to v5.0, ATA 2200, MIL-STD standards
- Creates, manages and leverages information vital to the build, operation and maintenance of complex assets
- Producing an end-to-end IPS solution, R4i Suite of tools is designed to be modular, easy to use and most importantly, robust



## Generic Trainers

- Modern off the shelf training aids
- Reduced safety issues
- Operation and maintenance savings



## Engineered Solutions

- Bespoke solutions
- Platform specific or custom-built
- Simulators, part-task trainers & procedural trainers
- Defence & civil customer base



## Computer Based Training

- Web & server-based e-learning
- Collaboration with government departments & global industry
- Access to anytime, anywhere training modules



## Virtual Reality Trainers

- Award winning suite of solutions
- Multiple users at one time
- Real-time faults and emergency solutions
- Ability to record responses



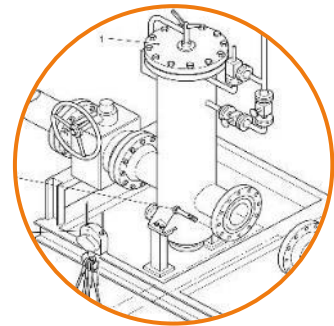
## Track Access Systems

- Products & services include Track Access Portal, Railway Survey, Signal Sighting, Driver Training



## Technical Services & Support

- Facilities Mapping to EASA, EMAR, City of Guilds etc.
- Consultancy
- Dismantling and Disposal
- Technical Publications



# Our Customers





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